DOCUMENT RESUME

ED 133 792 EA 008 984

TITLE	The Briefer for Texas School Finance Studies.
INSTITUTION	Texas Education Agency, Austin.
PUB DATE	7 Apr 75
NOTE	60p.; For related document, see EA 008 985
EDRS PRICE	MF-$0.83 HC-$3.50 Plus Postage.
DESCRIPTORS	Educational Accountability; *Educational Finance; Educational Legislation; Educational Policy; Elementary Secondary Education; *Foundation Programs; *Program Costs; School Personnel; State Aid; *State Legislation; *State School District Relationship; Student Transportation; *Tables (Data)
IDENTIFIERS	*Texas

ABSTRACT

This publication examines 16 of the 18 basic educational issues identified in an earlier publication entitled, "Basic Issues in Texas Public School Finance: An Analysis of the Plans." Five major school finance bills pending before the Texas Legislature in April 1975 are discussed in relationship to each of the 16 issues, with cost information and analyses included where appropriate. The five school finance bills discussed include House Bill 420, House Bill 946, House Bill 1083, House Bill 1126, and House Bill 1715. Cost data cited in the discussions were taken from the official five-year cost estimates for each bill that were developed by the Texas Education Agency for the Legislative Budget Board. (Author/JG)

****
* Documents acquired by ERIC include many informal unpublished *
* materials not available from other sources. ERIC makes every effort *
* to obtain the best copy available. Nevertheless, items of marginal *
* reproducibility are often encountered and this affects the quality *
* of the microfiche and hardcopy reproductions ERIC makes available *
* via the ERIC Document Reproduction Service (EDRS). EDRS is not *
* responsible for the quality of the original document. Reproductions *
* supplied by EDRS are the best that can be made from the original. *
****

ED133792

The BRIEFER For Texas School Finance Studies

Issued 4-7-75 by the Texas Education Agency

Austin, Texas

In the first edition of BASIC ISSUES IN TEXAS PUBLIC SCHOOL FINANCE (1975): An Analysis of the Plans, January 8, 1975, eighteen basic issues in Public School Finance were identified. The identification of these issues had resulted from a series of meetings among eight school finance study groups then developing plans or recommendations for presentation for the Sixty-fourth Texas Legislature. It was anticipated at that time that as future revisions were made in proposals and analyses these would be reflected in updates of that initial report with distribution of these updates through THE BRIEFER for Public School Finance Studies.

The revised edition of Basic Issues which follows is a description of sixteen of the eighteen issues identified in the earlier report. Each of five major school finance bills pending before the Texas Legislature is discussed in relationship to each of these sixteen issues, with cost information and analyses included where appropriate. These five bills are:

Senate Bill 37
(by Aikin, Schwartz)

House Bill 420
(by Hale)

House Bill 945
(by Kubiak)

Senate Bill 478
(by Mauzy)

House Bill 1083
(by Massey, et al)

House Bill 1126
(by McAlister)

House Bill 1715
(by Truan, et al)

U S DEPARTMENT OF HEALTH EDUCATION & WELFARE NATIONAL INSTITUTE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

The reader should note that due to possible amendments in these bills the information contained in this second report will be subject to future revisions. It should be further noted that in compiling the present report summaries and descriptions of each bill have not been reviewed by the sponsors of the bill, although every effort has been made to accurately and objectively describe the provisions of each bill.

The cost data cited in this report are taken from the official five-year cost estimates for each bill developed by the Texas Education Agency for the Legislative Budget Board. Inquiries, comments or suggestions about the information or the analyses contained in this report should be directed to:

Alton O. Bowen
Deputy Commissioner for Administrative Services
Texas Education Agency
201 East Eleventh Street
Austin, Texas 78701

Phone: (512) 475-4536

EA 008 981

FOREWORD

During December 1974, the staffs of eight groups then developing plans or recommendations in public school finance for presentation to the Sixty-fourth Texas Legislature were invited to meet in a series of meetings to develop and analyze a list of basic issues in public school finance as one means for identifying both similarities and differences among the plans of these groups. A report entitled "Identification of Basic Issues in Texas Public School Finance - 1975" resulted from the meetings participated in by these groups. Drafted by the Texas Education Agency staff, this report identified eighteen basic issues in school finance to be considered by the Sixty-fourth Texas Legislature. The report summarized the position of each participating study group with regard to each of these issues and presented table formats for data analysis of each issue. Except for the present system, no cost estimate information was included in the report. Information used to compile the report was taken from reports, recommendations, or principles and statements listed below. Study groups are identified in parenthesis.

Tentative Recommendations to Governor Dolph Briscoe Regarding The Restructuring of Public Elementary and Secondary School Finance (Governor's Office of Educational Research and Planning)

A Time for Change: Towards Quality and Equality (Report of the House Education Committee)

Draft Report of Committee of 24 (House Interim Committee on the Reorganization and Modernization of Public Education: Recommendations of Subcommittee on Public School Finance)

"Proposed Principles for a New School Finance Plan" and "Criteria for a School Finance Plan Based on A Weighted Pupil Approach" (Senate Education Committee)

Public School Revenue System Recommendations (Texas Advisory Commission on Intergovernmental Relations)

Proposed Legislative Program: Policy Position (Texas Association of School Boards)

Public School Finance Plan: A Special Supplement to Recommendations for Legislative Consideration on Public Education in Texas (Texas State Board of Education)

School Finance Bill Draft, 11-12-74, (Texas State Teachers Association)

The summaries contained in the initial Issues document were preliminary and subject to change as proposals were written into bills which are now pending before the Legislature. Since the publication of the first edition of the Issues document, five major school finance bills have been introduced in the House and referred to the House Education Committee, two of which have companion bills in the Senate. The House Education Committee has discussed all five bills in terms of the basic issues in school finance identified in the Issues document. Presently, all five House Bills (House Bill 420 by Hale; House Bill 946 by Kubiak; House Bill 1083 by Massey, et al; House Bill 1126 by McAlister; and House Bill 1715 by Truan, et al) have been referred to a subcommittee of the House Education Committee. Senate Bill 37 (by Aikin, Schwartz) and Senate Bill 478 (by Mauzy) have been referred by the Senate Education Committee to a subcommittee.

The second edition of Issues, which follows, focuses upon these five school finance bills in terms of sixteen issues identified in the first publication of Issues and presents state total information as to the program and financing costs of each bill. Cost information is presented for initial year of implementation (1975-76) and for full implementation (1978-79) of each bill.

IDENTIFICATION OF BASIC ISSUES IN TEXAS PUBLIC SCHOOL FINANCE - 1975

The following list of issues were identified by school finance groups in a series of meetings during December, 1975. The original list included eighteen issues. In the following report sixteen of these eighteen issues will be discussed.

I. ISSUES RELATING TO THE TYPE AND CONTENT OF THE FOUNDATION SCHOOL PROGRAM

To what extent and in what manner shall the revised Foundation School Program provide for the following components?

A. Identification of Student Populations. What pupil populations will be recognized for funding purposes?

B. Type of Allocation Method. Will allocations be based on a combination of personnel and student units or student units only? Through what method will students be counted within various populations?

C. Level of Staffing. What level of staffing can or will be provided?

D. Staffing Flexibility. What flexibility in staffing patterns will be provided?

E. Salary Levels. What level of salary will be provided for educational personnel?

F. Special Programs. What levels of financial support will be provided for special, vocational, bilingual, compensatory, and migrant education?

G. General Flexibility. What general flexibility will be provided in the funding formulas? What level of governance will be provided with what amounts of flexibility?

H. Renewal and Accountability. What mechanism for improvement will be established? What should the scope and method of accountability be?

I. Transportation. How will transportation services be provided?

II. ISSUES RELATING TO THE FINANCING OF THE FOUNDATION SCHOOL PROGRAM

A. Determination of Local Ability. Through what means will the ability of each school district to support education be determined?

B. Determination of State and Local Shares. To what extent and in what manner will the Foundation School Program be financed from local revenues and state revenues? To what extent and in what manner will state revenues be used to offset increases in required local effort?

III. ISSUES RELATING TO FINANCING OF EXPENDITURES ABOVE THE FOUNDATION SCHOOL PROGRAM

A. Extent of Local Leeway Funds. To what extent will school districts be permitted to enrich the Foundation School Program?

B. Equalization of Local Leeway Funds. To what extent and through what means will the state equalize school districts' ability to raise enrichment funds?

IV. ISSUES RELATING TO THE TOTAL FINANCING OF PUBLIC SCHOOL EDUCATION IN TEXAS

A. The Total Operating Cost of Education in Texas. What is the current operating cost of education by sources of revenue?

B. Funding of Capital Expenditures. Will the financing of capital expenditures be partially supported by state funds? If so, to what extent and through what mechanism?

C. Implementation Schedule. Over what period and through what means will a school finance program be implemented? What impact on equalization and support of desired program, staffing, and salary levels do alternative implementation schedules have?

Clearly none of these issues exists within a vacuum. Each issue has an appropriate relationship to all of the other issues. To the extent possible these interrelationships have been noted within the context of this report.

MAJOR SCHOOL FINANCE LEGISLATION BEFORE THE SIXTY-FOURTH TEXAS LEGISLATURE

Senate Bill 37
(by Aikin, Schwartz)

Senate Bill 478
(by Mauzy)

House Bill 420
(by Hale)

House Bill 946
(by Kubiak)

House Bill 1083
(by Massey, et al)

House Bill 1126
(by McAlister)

House Bill 1715
(by Truan, et al)

The following report summarizes the provisions in each of these bills in terms of the issues identified above.

I. ISSUES RELATING TO THE TYPE AND CONTENT OF THE FOUNDATION SCHOOL PROGRAM

All five bills expand the existing Foundation School Program either through expanding present services or by adding new services. All five bills provide for compensatory education programs. House Bill 1083 and House Bill 1715 establish funding for a renewal and accountability system. House Bill 1715 would provide guaranteed funding for capital outlay purposes as well as allotments for start-up costs in vocational education. Section I describes the components of the Foundation School Program under each bill.

Tables I.A. and I.B. present the cost of the Foundation School Program for initial year of implementation in 1975-76 and full implementation in 1978-79 for the present program and each of the five bills, where detailed cost data can be established.

I. A. IDENTIFICATION OF STUDENT POPULATIONS

Present Program. The present Foundation School Program essentially recognizes four basic student populations including regular program students*, students enrolled in vocational programs**, special education students**, and students in need of bilingual education**. In addition, a highly limited definition of migrant students is utilized.

Proposals. House Bill 420 and House Bill 1126 utilize the present definition of present programs but add students in need of compensatory education. House Bill 946 divides the regular program into two divisions - kindergarten through grade 4 and grades 5 through 12, and adds students needing compensatory edcation. House Bill 1083 and House Bill 1715 substantially retain the presently identified student populations in the areas of vocational and special education while dividing the regular program into kindergarten, grades 1-3, 4-6, 7-8, 9-12 and adding driver education as well as a "parity" program category which embraces present compensatory, migrant, and bilingual student populations. House Bill 1715 also includes gifted students in the populations served by special programs.

* Eligibility for Foundation School Program benefits for children over five and under 21 years of age at beginning of the school year, with full-time kindergarten for all children to begin in 1977-78.

** See Section I.F.

TABLE I.A.
COST OF THE FOUNDATION SCHOOL PROGRAM 1975-76
PRESENT LAW AND FIVE HOUSE BILLS
(in millions of dollars)

	PRESENT LAW 1974-75	PRESENT LAW	HOUSE BILL 420 (SB37)	HOUSE BILL 946	HOUSE BILL 1083 (SB478)	HOUSE BILL 1126	HOUSE BILL 1715
REGULAR EDUCATION							
Salary Costs	$1,063.0	$1,080.2	$1,884.5	$1,706.4	**	$1,834.3	**
Operating Allowance	67.0	67.3	137.7	148.3	**	199.9	**
Total: Regular	$1,130.0	$1,147.5	$2,022.2	$1,854.7	$1678.1 1	$2,034.2	$1,942.5
VOCATIONAL EDUCATION							
Salary Costs	$ 87.0	98.9	$ 152.5	$ 125.4	**	$ 148.4	**
*Other Costs	10.0	11.0	12.2	12.3	**	15.6	**
Total: Vocational	$ 97.0	$ 109.9	$ 164.7	$ 137.7	$ 177.0	$ 164.0	$ 193.6
SPECIAL EDUCATION							
Salary Costs	$ 161.0	$ 206.1	$ 316.1	$ 258.7	**	$ 309.2	**
*Other Costs	26.0	31.2	29.2	29.1	**	31.4	**
Total: Special	$ 187.0	$ 237.3	$ 345.3	$ 287.8	$ 288.0	$ 340.6	$ 337.5
EDUCATIONALLY DISADVANTAGED							
Total		$	32.4		$ 60.6		$ 178.3
TRANSPORTATION							
Total	$ 32.0	$ 32.8	$ 64.1	$ 61.1	$ 61.1	$ 39.9	$ 68.6

10

*Includes operating costs and contract costs. **Not Available.

11

Note: Although neither House Bill 420, House Bill 946, nor House Bill 1126 alter present method of funding for vocational and special education, due to increases in salaries the costs for these programs will increase over present levels.

Under House Bill 1083, cost of regular, vocational, and special education includes staff maturation supplement funds.

TABLE I.A. CONTINUED

	PRESENT LAW 1974-75	PRESENT LAW	HOUSE BILL 420 (SB37)	HOUSE BILL 946	HOUSE BILL 1083 (SB478)	HOUSE BILL 1126	HOUSE BILL 1715
Sparsity Supplement	-0-	-0-	-0-	-0-	$ 22.7	-0-	3.5
Capital Outlay	-0-	-0-	-0-	-0-	-0-	-0-	$ 128.0
Vocational Startup Cost	-0-	-0-	-0-	-0-	-0-	-0-	$ 1.5
Other	$ 30.0	$ 49.0	$ 47.2	$ 54.3	$ 55.3	$ 55.4	$ 56.5
Renewal and Accountability (Evaluation, Computer Services)	-0-	-0-	-0-	$ 5.5	-0-	$ 7.9	$ 15.9
TOTAL PROGRAM COST	$1,476.0	$1,576.5	$2,675.9	$2,401.1	$2,342.8	$2,642.0	$2,926.9

** N/A

Regular Education: The total cost includes cost for driver education in House Bill 1083 and House Bill 1715.

Special Education: The total cost for special education under House Bill 1083 includes the estimated cost for special education cooperative supplement. The total cost for special education under House Bill 1715 includes allocation to regional service centers for provision of special education services.

Other Cost: Present bilingual education program costs are included in other costs.

Renewal and Accountability: The cost for renewal and accountability for House Bill 1715 includes cost for evaluation and planning allocation. The cost shown on the House Bill 946 is for needs assessment and evaluation programs. The cost shown under House Bill 1126 is for computer services.

TABLE I.B.
COST OF THE FOUNDATION SCHOOL PROGRAM AT FULL IMPLEMENTATION
PRESENT LAW AND FIVE HOUSE BILLS
(in millions of dollars)

	PRESENT LAW 1974-75	1978-79 PRESENT LAW	HOUSE BILL 420 (SB37)	HOUSE BILL 946	HOUSE BILL 1083 (SB478)	HOUSE BILL 1126	HOUSE BILL 1715
REGULAR EDUCATION							
Salary Costs	$1,063.0	$1,221.3	$2,633.1	$2,267.0	**	$2,146.1	**
Operating Allowance	67.0	68.1	293.5	310.7	**	401.5	**
Total: Regular	$1,130.0	$1,289.4	$2,926.6	$2,577.7	$2,118.5	$2,547.6	$1,886.3
VOCATIONAL EDUCATION							
Salary Costs	$ 87.0	$ 141.3	$ 245.1	$ 202.4	**	$ 206.1	**
*Other Costs	10 0	14.1	27.2	28.5	**	35.1	**
Total: Vocational	$ 97.0	$ 155.4	$ 272.3	$ 230.9	$ 284.7	$ 241.2	$ 256.0
SPECIAL EDUCATION							
Salary Costs	$ 161.0	$ 273.3	$ 470.0	$ 398.6	**	$ 398.7	**
*Other Costs	26.0	38.6	46.0	47.2	**	53.2	**
Total: Special	$ 187.0	$ 311.9	$ 516.0	$ 445.8	$ 467.3	$ 451.9	$ 408.0
EDUCATIONALLY DISADVANTAGED Total			$ 63.9	$ 62.8	$ 195.4	$ 77.5	$ 178.3
TRANSPORTATION Total:	$ 32.0	$ 33.5	$ 65.4	$ 74.8	$ 74.8	$ 40.8	$ 82.8

*Includes operating costs and contract costs. **Not Available.

Note: Although neither House Bill 420, House Bill 946, nor House Bill 1126 alter present method of funding for vocational and special education, due to increases in salaries the costs for these programs will increase over present levels.

Under House Bill 1083, cost of regular, vocational, and special education includes staff maturation supplement funds.

TABLE I.B. CONTINUED

	1974-75	1978-79					
	PRESENT LAW 1974-75	PRESENT LAW	HOUSE BILL 420 (SB37)	HOUSE BILL 946	HOUSE BILL 1083 (SB478)	HOUSE BILL 1126	HOUSE BILL 1715
Sparsity Supplement	-0-	-0-	-0-	-0-	$ 32.6	-0-	$ 3.6
Capital Outlay	-0-	-0-	-0-	-0-	-0-	-0-	$ 128.0
Vocational Startup Cost	-0-	-0-	-0-	-0-	-0-	-0-	$ 1.4
Other	$ 30.0	$ 54.1	$ 52.5	$ 51.2	$ 63.1	$ 50.5	$ 63.0
Renewal and Accountability (Evaluation, Computer Services	-0-	-0-	-0-	$ 5.4	$ 62.0	$ 17.0	$ 84.0
TOTAL PROGRAM COST	$1,476.0	$1,844.3	$3,896.7	$3,448.6	$3,298.4	$3,426.5	$3,091.4

**N/A

Regular Education: The total cost includes cost for driver education in House Bill 1083 and House Bill 1715.

Special Education: The total cost for special education under House Bill 1083 includes the estimated cost for special education cooperative supplement. The total cost for special education under House Bill 1715 includes allocation to regional service centers for provision of special education services.

Other Cost: Present bilingual education program costs are included in other costs.

Renewal and Accountability: The cost for renewal and accountability for House Bill 1715 includes cost for evaluation and planning allocation. The cost shown on the House Bill 946 is for needs assessment and evaluation programs. The cost shown under House Bill 1126 is for computer services.

I. B. TYPE OF ALLOCATION METHOD

Present Program. The present program initially utilizes a series of pupil data in the distribution of funds. Total students in ADA, calculated on the basis of 180 days, are utilized for the regular program and special education, while students enrolled are used for the vocational education program and the bilingual program. These students measures are used to allocate basic personnel units - generally teachers. These teachers in turn generally become the basis for other personnel units and for operating costs.

Proposals. With modifications, House Bills 420, 946, and 1126 all maintain the present allocation method. House Bill 420 and House Bill 1126 require that students in ADA be calculated on the basis of the best two twelve weeks, the best three nine weeks, or the best four six weeks. This change would increase the costs of the regular program by approximately one percent. House Bill 1126 also provides for the use of students in ADA for the allocation of several types of personnel in addition to teachers. House Bill 946 utilizes students in ADM for the allocation basis of basic personnel for the regular program. All three of these bills employ the number of students to allocate operating costs other than professional salaries and transportation costs.

House Bill 1083 and House Bill 1715 provide for a weighted pupil type of allocation method involving full-time equivalent (FTE) student pupil accounting generally with a modified version of students in average daily membership (ADM) to measure total number of students. Under these bills, program

entitlements for regular, vocational, and special education programs would be based on the number of FTE students in these programs. Entitlements for parity programs and driver education under House Bill 1083 would be based on identified or enrolled pupils. After 1975-76, under House Bill 1083, eligibility for parity programs would be based exclusively on educational achievement criteria developed by the State Board of Education.

Under House Bill 1715, eligibility for enrollment in special programs for the educationally disadvantaged would be developed by the State Board of Education, using appropriate family income standards.

I. C. LEVEL OF STAFFING RATIO

Present Program. Under the present Foundation School Program, a total number of professionals employed under the Foundation Program is projected to be 135,157 in 1974-75 for an overall professional/pupil (ADA) ratio of 18.5 to 1. By 1978-79 this number is expected to increase to 146,642 thus reducing the ratio to a projected 17.3 to 1.

Proposals. Three of these bills specifically call for higher levels of staffing under the provisions of the Foundation Program in the area of the regular education program. The effects of these changes are shown in the tables below.

Data Analysis. The following tables present summary level information for 1975-76 and 1978-79 under three of the five bills. Detailed information is presented in Tables II.A. and II.B.

1975-76

	PRESENT LAW	HOUSE BILL 420 (SB37)	HOUSE BILL 946	HOUSE BILL 1126
Total Professional Staff	139,004	151,866	163,464	149,313
Staff/ADA	18.0	15.1	16.5	16.8

1978-79

	PRESENT LAW	HOUSE BILL 420 (SB37)	HOUSE BILL 946	HOUSE BILL 1126
Total Professional Staff	146,642	171,866	175,624	163,071
Staff/1978-79 ADA (projected)	17.3	14.7	14.4	15.5

TABLE II.A.
COMPARISON OF STAFFING LEVELS - 1975-76

CATEGORY	PRESENT LAW	HOUSE BILL 420	HOUSE BILL 946	HOUSE BILL 1126
Regular Teachers	100,052	108,799	117,278	104,605
Regular Supportive				
Librarians	**	**	**	**
Counselors	1,850	2,152	**	2,489
Supervisors	*	*	**	**
Administrators	--	1,628	1,668	**
Principals	3,145	4,685	7,513	4,203
Superintendents	977	977	977	977
Other	4,560	5,205	8,108	9,419
Sub-Total	10,532	14,648	18,266	17,088
Vocational Education Professionals	10,320	10,320	10,320	10,020
Special Education Professionals	18,100	18,100	17,600	17,600
Total Foundation Professionals	139,004	151,866	163,464	149,313
Regular Aides	4,600	5,205	6,179	4,985
Special Education Aides	7,500	7,500	7,500	7,500
Educational Secretaries	--	4,110	4,058	--
Total Paraprofessionals	12,100	16,815	17,737	12,485
GRAND TOTAL	151,104	168,681	181,201	161,798

*Included in the Counselor Allotment
**Included in Other

Although House Bill 1083 and House Bill 1715 will provide funds for increased staffing, these bills do not specify staffing levels.

TABLE II.B.
COMPARISON OF STAFFING LEVELS
1978-79

CATEGORY	PRESENT LAW	HOUSE BILL 420	HOUSE BILL 946	HOUSE BILL 1126
Regular Teachers	101,287	117,002	122,459	111,521
Regular Supportive				
Librarians	**	4,054	**	**
Counselors	1,874	2,956	**	2,542
Supervisors	*	1,715	**	**
Administrators	--	1,628	1,668	**
Principals	3,184	4,760	7,772	4,487
Superintendents	977	977	977	977
Other	4,600	4,054	8,528	9,624
Sub-Total	10,635	20,144	18,945	17,630
Vocational Education Professionals	13,220	13,220	13,220	12,920
Special Education Professionals	21,500	21,500	21,000	21,000
Total Foundation Professionals	146,642	171,866	175,624	163,071
Regular Aides	4,656	5.874	6,551	10,911
Educational Secretaries	**	4,375	4,371	**
Special Education Aides	8,100	8,100	8,100	8,100
Total Paraprofessionals	12,756	18,349	19,022	19,011
GRAND TOTAL	159,398	190,215	194,646	182,082

* Included in the Counselor Allotment
** Included in Other

Although House Bill 1083 and House Bill 1715 will provide funds for increased staffing, these bills do not specify staffing levels.

I. D. STAFFING FLEXIBILITY

Present Program. In hiring personnel allocated under the special services allotment, school districts may choose any combination from among the following five categories: librarians, visiting teachers, itinerant teachers, physicians, and nurses. The present law also permits school districts to use allotted classroom teachers units as administrators and allotted aides as secretaries.

Proposals. House Bill 946 would add supervisors and counselors to the current special services allotment. House Bill 1126 would authorize flexibility among regular program staff under rules and regulations adopted by the Texas Education Agency. By not specifying types of personnel, House Bill 1083 and House Bill 1715 would provide complete flexibility at the district level in the use of different types of personnel.

House Bill 420, House Bill 946, and House Bill 1126 would require personnel classified as classroom teachers to actually perform teaching duties.

I. E. SALARY LEVEL

Present Program. The present minimum salary schedule was adopted in 1969 by the Sixty-first Legislature. It currently mandates a minimum salary for a beginning teacher with an undergraduate degree of $6,600 per year. Although salary increases are not scheduled for the years 1975-76, 1976-77, or 1977-78, the current base salary will increase to $7,260 in 1978-79. The base salary is incremented for ten steps. Personnel are categorized among 15 of the possible 18 pay grades in the schedule. The average Foundation School Program professional salary is estimated at $9,405 for the current school year and $10,668 for 1978-79.

Proposals. House Bill 420 and House Bill 1126 increase the base salary for beginning teacher with an undergraduate degree to $10,000 per year. Also under House Bill 420, salary levels would be increased annually to meet increases in the Consumer Price Index. House Bill 946 increases the base salary to $8,400 per year.

House Bill 1083 bases a salary schedule index upon the value of 1.00 in the student cost factor index. The beginning B.A. salary for 1975-76 would be $7,430 annually which is calculated by multiplying the value of 1.00 (or $635) times a factor of 1.5 times .78 (the salary index value for paygrade 7 step 1). This would represent approximately a 12 percent increase over the present base salary. Under House Bill 1083 teachers would enter the new index schedule at the same step as they occupied in 1974-75. Under this arrangement, automatic increases in the value of 1.00 in student weights would increase salaries. Movement across the schedule would be based on

meritorious service. In addition, the State Board of Education would adjust the salary schedule for promotions and demotions within pay grades. House Bill 1715 does not specify a salary schedule except that districts must pay a beginning B. A. teacher a minimum salary of $8,000 annually, with additional increments of 5 percent for each year of experience not to exceed ten years. Adjustments in the salary schedule would be made by the State Board of Education under House Bill 1715.

Table III.A. below shows the beginning B. A. salary for each bill, the average professional salary and increased cost of these salary levels over present law for 1975-76 for the bills for which this can be determined.

TABLE III.A.
COST ANALYSIS OF SALARY PLANS - 1975-76

	BEGINNING SALARY FOR TEACHER WITH A B.A.	AVERAGE PROFESSIONAL SALARY	INCREASED COST OF PROFESSIONAL AND AIDE SALARIES OVER PRESENT LAW
House Bill 420	$10,000	$14,775	$838,510,000
House Bill 946	8,400	12,144	439,928,000
House Bill 1083	7,430	**	**
House Bill 1126	10,000	14,806	817,666,000
House Bill 1715	8,000	**	**

**Not Available

The table on the following page presents a cost analysis of salary plans for 1978-79.

TABLE III.B.
COST ANALYSIS OF SALARY PLANS - 1978-79

	BEGINNING SALARY FOR TEACHER WITH A B.A.	AVERAGE PROFESSIONAL SALARY	INCREASED COST OF PROFESSIONALS AND AIDE SALARIES OVER PRESENT LAW (in thousands)
House Bill 420 without cost of living	$10,000	$15,135	$ 840,335
House Bill 420 with cost of living	12,250	18,540	1,455,310
House Bill 946 without cost of living	8,400	12,604	363,985
House Bill 946 with cost of living	10,290	15,607	889,781
House Bill 1083	8,975	**	**
House Bill 1126	10,660	15,953	932,687
House Bill 1715	8,000	**	**

** Not Available.

I. F. SPECIAL PROGRAMS

Present Programs. Under current law special programs of vocational, special, bilingual education are financed through policies of the State Board of Education which are authorized by guidelines set forth in statute. These programs are oriented towards the allocation of direct costs of instructional activities with little support for overhead costs. Kindergarten programs with priority given to full-day programs for "educationally disadvantaged" pupils (non-English speaking and for low income) till 1977-78 are provided.

Each of the above special programs is in a period of phased implementation with full implementation by 1980.

Presently students in grades 7-12 are served by the following vocational education programs: agriculture, homemaking, distributive education, vocational industrial-technical occupations, health occupations, vocational office education, coordinated vocational-academic education, and industrial arts.

Vocational education allocations are made under rules and regulations of the State Board of Education the authorization for which is set forth in statute. In addition, certain provisions are specified in law. For example, (1) every four-accredited high school is entitled to two vocational units and (2) an operating allowance of $400 is made for each vocational teacher unit.

Present special programs for exceptional children between the ages of 3 and 21 with educational handicaps (physical, retarded, emotionally disturbed, and/or children with language and/or learning disabilities); autistic children; and children leaving and not attending regular public school classes because of pregnancy include services for the following: visually handicapped, auditorially

handicapped (deaf and severely hard of hearing), minimally brain-injured, orthopedically handicapped or other health impaired, educable mentally retarded, trainable mentally retarded, emotionally disturbed, language and/or learning disabilities, speech handicapped, multiple handicapped, and pregnant students.

"Comprehensive Programs for Exceptional Children" (Plan A) will be available on a statewide basis by September 1976. In a phased implementation, a selected number of school districts are approved to develop Plan A programs. Other school districts are approved to operate programs based on "Allocations Based on Identified Handicapped Pupils" (Plan B) until September 1976. Special education allocations are made under rules, regulations and formulas for the State Board of Education.

School districts with an enrollment whose primary language is other than English must provide a program of bilingual education. The initial year of implementation of bilingual programs was 1974-75. By 1979-80 the program for grades 1-6 will be fully implemented.

Full-day kindergarten programs are provided on a first priority basis for "educationally disadvantaged" pupils who are identified as pupils who cannot speak, read, and comprehend the English language or whose families are low income (that is, at or below subsistence level).

Proposals. House Bills 420, 946, and 1126 do not alter the present method or level of financing of vocational education.* House Bill 1083 maintains support

*Due to salary increases, funding for vocational education would increase under each of these bills.

of vocational and technical education under the Foundation School Program, recognizing for funding purposes the following vocational programs: agriculture, distributive education, home economics, office, industrial arts. This bill places limits of $175 million in 1975-76 and $206 million in 1976-77 on the total guaranteed entitlement for all school districts for vocational programs. House Bill 1715 proposes to maintain support of vocational and technical education under the Foundation School Program, recognizing for funding purposes the following vocational programs: agriculture, distributive education, home economics, office, industrial, health, and industrial arts. House Bill 1715 would provide for allotments to purchase equipment for each vocational classrooms, beginning in 1975-76. Allotments would equal actual cost of equipment, not to exceed $1,500 for each classroom.

House Bills 420, 946, and 1126 do not alter the present method or level of financing of special education* House Bill 1083 identifies the following categories of special student needs for foundation funding: visually handicapped, orthopedically handicapped, minimally brain injured, auditorially handicapped, educable mentally retarded, trainable mentally retarded, speech handicapped, language/learning disability, emotionally disturbed, and multiple handicapped (severe). This bill places limits of $265 million in 1975-76 and $300 million in 1976-77 on the total guaranteed entitlement for all school districts for special education. This bill also provides a supplement for special education cooperative programs. House Bill 1715 identifies the following categories of special student needs for foundation funding: visually handicapped, orthopedically handicapped, minimally brain injured, auditorially

*Due to salary increases, funding for special education would increase under each of these bills.

handicapped, educable mentally retarded, trainable mentally retarded, speech handicapped, language/learning disability, emotionally disturbed, and multiple handicapped (severe). This bill also provides an allotment to regional education service centers for provisions of special education services.

House Bills 420, 946, and 1126 do not alter the present method or level of financing of bilingual education.* House Bill 1083** includes bilingual education as part of "parity" programs. House Bill 1715** includes bilingual education as part of special programs for this student population.

House Bills 420, 946, and 1126 continue kindergarten programs on a first priority basis to "educationally disadvantaged" pupils. House Bill 420 also provides funding for compensatory education programs through an allotment of $35.50 per educationally disadvantaged children for 1975-76 and $75 per child for 1976-77 and thereafter. A child is "educationally disadvantaged" if he cannot speak or comprehend the English lanaguage or if he is determined to be educationally disadvantaged as measured by standards developed by the Texas Education Agency. House Bill 946 also provides funding for compensatory education programs through an allocation of $50 for each educationally handicapped child for 1976-77 and $100 per child for 1977-78 and thereafter. "Educationally disadvantaged pupils" are pupils who cannot speak or comprehend the English language or whose family is at or below a subsistence level according to standards set by the State Board of Education. House Bill 1126 also provides funding for compensatory education programs through an allocation of $50 for each educationally handicapped child for 1976-77 and $100 per child for 1977-78 and thereafter.

*Due to salary increases, funding for bilingual education will increase under each of these bills.
**As presently written, neither bill repeals funding for present bilingual programs.

"Educationally disadvantaged pupils" are pupils eligible for federal compensatory education aid under Title I of the Elementary and Secondary Education Act.

House Bill 1083 provides funding for full-day kindergarten programs for educationally disadvantaged pupils (according to "parity" identification criteria) as well as funding for "parity" program (which would include present bilingual, migrant, and compensatory programs). Impelmentation of parity programs would be phased in over three years beginning in 1975-76 as follows: 1975-76 - approximately $95 per pupil; 1976-77 - approximately $168 per pupil; 1977-78 and thereafter - 40 percent of the base student cost (value of 1.00). Eligibility for parity programs would be based on Title I definitions in 1975-76 and on exclusively educational criteria thereafter. House Bill 1715 provides funding for special programs for pupils who are educationally disadvantaged, bilingual, gifted, or migrant, with an weight of 1.00 added to the weights for each educational level of the regular program. For example, programs for educationally disadvantaged children in K-3 would be funded at a weight of 2.20 (1.20 in regular program cost factors).* Students who attend bilingual classes at a campus other than their regular campus would be eligible for transportation funding.

House Bills 420, 946, and 1126 contain no provision for driver education, while House Bill 1083 provides allocations for support of driver education programs based on 10 percent of the base student cost of 1.00 for each student enrolled in this program. Funding for driver education programs would be limited to not more than 4 percent of students in ADM for 1975-76; to not more than 6 percent for 1976-77; and to not more than 8 percent for

* Student membership in these special programs would be on a full-time-equivalent basis.

1977-78 and thereafter.* House Bill 1715 provides an allotment of $60 per student enrolled in such programs, and would prohibit districts from charging students fees for foundation funded driver education programs.

Tables IV.A. and IV.B. show costs of vocational and special education and programs for the educationally disadvantaged under each bill for 1975-76 and 1978-79.

* Under House Bill 1083, a district would be required to use only 85 percent of its driver education program allotment for this program.

TABLE IV.A.
COST OF SPECIAL PROGRAMS: 1975-76
(in millions of dollars)

	PRESENT LAW 1974-75	1975-76 PRESENT LAW	1975-76 HOUSE BILL 420	1975-76 HOUSE BILL 946	1975-76 HOUSE BILL 1083	1975-76 HOUSE BILL 1126	1975-76 HOUSE BILL 1715
VOCATIONAL EDUCATION							
Salary Costs	$ 87.0	$ 98.9	$152.5	$125.4	**	$148.4	**
*Other Costs	10.0	11.0	12.2	12.3	**	15.6	**
Total: Vocational	$ 97.0	$109.9	$164.7	$137.7	$175.0	$164.0	$193.6
SPECIAL EDUCATION							
Salary Costs	$161.0	$206.1	$316.1	$258.7	**	$309.2	**
*Other Costs	26.0	31.2	29.2	29.1	**	31.4	**
Total: Special	$187.0	$237.3	$345.3	$287.8	$288.0	$340.6	$337.5
EDUCATIONALLY DISADVANTAGED							
Total: Ed. Disadv.	--	--	$ 32.4	--	$ 60.6	--	$178.3
GRAND TOTAL	$284.0	$347.2	$542.4	$425.5	$522.6	$504.6	$709.4

*Includes operating costs and contract costs.
**Not Available.

TABLE IV.B.
COST OF THE SPECIAL PROGRAMS: 1978-79
(in millions of dollars)

		1978-79					
	PRESENT LAW 1974-75	PRESENT LAW	HOUSE BILL 420	HOUSE BILL 946	HOUSE BILL 1083	HOUSE BILL 1126	HOUSE BILL 1715
VOCATIONAL EDUCATION							
Salary Costs	$ 87.0	$141.3	$245.1	$202.4	**	$206.1	**
*Other Costs	10.0	14.1	27.2	28.5	**	35.1	**
Total: Vocational	$ 97.0	$155.4	$272.3	$230.9	$284.7	$241.2	$256.0
SPECIAL EDUCATION							
Salary Costs	$161.0	$273.3	$470.0	$398.6	**	$398.7	**
*Other Costs	26.0	38.6	46.0	47.2	**	53.2	**
Total: Special	$187.0	$311.9	$516.0	$445.8	$467.3	$451.9	$408.0
EDUCATIONALLY DISADVANTAGED							
Total: Ed. Disadv.	--	--	$ 63.9	$ 62.8	$195.4	$ 77.5	$178.3
GRAND TOTAL	$284.0	$467.3	$852.2	$739.5	$939.9	$770.6	$842.3

*Includes operating costs and contract costs.
**Not Available.

I. G. GENERAL FLEXIBILITY

Present Program. Each district's Foundation School Program entitlement is determined by a set of statutory formulas for the regular program and transportation and by the State Board of Education policies for vocational, special, and bilingual education. A school district must hire allotted personnel and provide the transportation and other services for which funds are allotted in order to receive all of the state funds allotted. Flexibility exists only in the expenditure of approximately 5 percent of allotted Foundation School Program funds (the $660 per teacher maintenance and operating allowance, approximately $32 per ADA). These funds can be spent for any purpose except capital expenditures, debt service, professional salaries, and transportation.

Proposals. All five bills increase the amount of the present maintenance and operating funds. Under the House Bill 946 $85 per ADM allowance, these funds would comprise 10 percent of the Foundation School Program cost or $359 million. Similarly, the $178 per ADA allowance in House Bill 1126 would place 13.5 percent of the Foundation School Program entitlement in this category, or $462 million. The $130 per ADA allowance under House Bill 420 would place 9 percent or $339 million in the Foundation School Program cost under this type of flexible arrangement. The variance in percentages, however, is largely a function of the total cost of the recommended programs.

House Bill 1083 and House Bill 1715 would both provide greater flexibility for local administrators. This is accomplished by substantially increasing the amount of flexibility allowed in the expenditure of funds both by purposes and between programs. Under the provisions of House Bill 1083 up to 10 percent of funds allocated to a program could be moved to another program area and up to

30 percent of the funds allocated could be spent for indirect costs other than direct instructional costs. Based on state total estimates these provisions would provide $305.3 million in flexible program funds and $915.9 million for indirect costs for House Bill 1083. For House Bill 1715 these amounts would be $274.2 million in flexible funds and $822.7 million for indirect costs. Districts would be permitted to use up to 15 percent of transportation allocations for purposes other than transportation services under House Bill 1083. Under House Bill 1715, transportation allocations would have to be used for transportation services.

All costs cited above are for 1975-76.

I. H. RENEWAL AND ACCOUNTABILITY

Present Program. Under current law there are provisions delegated to the State Board of Education which require the implementation of an accountability system. Among these provisions are the powers and duties given to the State Board of Education to review the educational needs of the state, to adopt or promote plans for meeting these needs, to evaluate the achievement of the educational program, and to provide accreditation standards. The Goals for Public School Education in Texas, adopted by the State Board of Education, also describe the development of accountability which includes a program for measuring the performance of the public school system in terms of the competence of its staff, the performance of its students, and the efficiency of its structure and processes. These programs are minimally funded from a variety of funds which are mostly federal and are uncertain in future availability.

Proposals. House Bill `83 proposes an educational renewal system, the funding for which would be a percentage of current operating expenses from the Foundation School Program costs, consisting of four components: (1) an accountability system; (2) a management information system; (3) a research and development system; and (4) an accreditation system which utilizes possible sanctions such as withholding of the Foundation School Program funds. Funding would begin at .5 percent in 1976-77, 1 percent for 1977-78, 2 percent for 1978-79, and 3 percent for 1979. This would involve a funding level of approximately $12.5 million for 1976-77. House Bill 1126 recommends a new allocation for the development of a statewide information services network which would be funded in 1976 and 1977 at .3 percent of the total allocated from the Foundation School Program, .4 percent of the Foundation School

Program for 1978 and .5 percent of the Foundation School Program thereafter. This bill also proposes support for regional service centers at $3 per ADA statewide. Distribution of funds would be in accordance with the rules and regulations of the State Board of Education. Estimated cost of these provisions would be $17 million for information services and $7.7 million for regional education service centers. House Bill 946 proposes a program of needs assessment and evaluation to be implemented through the local school district in allocating $2 per ADM statewide for the cost of assessment and evaluation instruments. House Bill 420 makes no specific provisions for renewal or accountability. House Bill 1715 would provide approximately $2.7 million in 1975-76 ($1 per student in average daily membership) to implement a state and district level program of needs assessment and evaluation. House Bill 1715 also provides for a renewal system the major components of which would include: (1) Five-Year Plans: A district would be required to prepare an annually update a five-year plan for the development of educational programs. A district would be required to accompany its preliminary application for state and federal categorical grants with a copy of its current five-year plan. (2) Management Information System: Uniform budgeting procedures would be prescribed for all districts, and a computerized comprehensive data base for state and regional educational planning and managing would be established. (3) Development of a State-wide Design for Research and Development, and (4) Accreditation: A system which reflects current state goals and wherein each school district would be inspected at least once every five years for compliance with standards for accreditation would be instituted. Funding for this renewal system would be determined as a percentage of the total cost

of all districts' entitlements for current operations under the Foundation School Program according to the following schedule:

1975-76	0.5%
1976-77	1%
1977-78	2%
1978-79	3%
1979-80	4%
1980-81 and thereafter	5%

This would involve a funding level of approximately $13.2 million for 1975-76.

I. I. TRANSPORTATION

Present Program. The transportation allotment is determined on a cost per route basis and is designed to reflect operating and depreciation costs. The cost of each route is based on the number of children served, the length of the route, and road conditions. All transported children living two or more miles from their school may be counted for allocation purposes. There is also an annual $150 allotment for children in special education unable to use regular transportation. Additional allotments support transportation for bilingual and vocational education students.

Proposals. House Bill 1126 provides that the base allowances per route be increased by an average of $800 (or approximately 25 percent). House Bill 420 provides that the base allowance per route be increased by an average of 75 percent, and the criterion for eligibility be reduced from two miles to one mile. House Bill 1083 and House Bill 946 provide for delivery system for transportation funding under the Foundation School Program based on an eligibility limit of two miles for regular students. State funding for maintenance and operation costs of regular transportation would be based on a per eligible transported pupil allocation formula which considers areal density (pupils per square miles) and linear density (number of pupils transported per daily route mile), with additional provisions for bus replacement. Specific formulas are written in these bills. Special education (at $260 per pupil for 1975-76), contracted services, vocational, bilingual and private transportation will be funded under separate formulas similar to these for regular transportation after 1975-76. While providing the same type of transportation delivery system as House Bill 1083 and House Bill 946, House Bill

1715 does not specify transportation funding formulas. Under House Bill 1715, the eligibility limit is reduced to one mile and funding for special education transportation would be increased to $250 per pupil from the present $150.

TABLE V
ESTIMATED COST FOR TRANSPORTATION 1975-76
(in millions)

	PRESENT LAW	HOUSE BILL 420	HOUSE BILL 946	HOUSE BILL 1083	HOUSE BILL 1126	HOUSE BILL 1715
Regular	$29	$60	$40	$40	$36	$48
Bus Replacement	**	**	14	14	**	14
Vocational Education	1	1	1	1	1	1
Special Education	3	3	6	6	3	6
TOTAL	$33	$64	$61	$61	$40	$69

**Not Available.

II. A. DETERMINATION OF LOCAL ABILITY

Current System. Under the current system, the ability of each school district is measured by a series of formulas which depend upon the county property value (to be self-reported market value of property for 1975-76), income factors, and special statutory adjustments.

Proposals. All five bills would use a single factor market value index for the determination of local ability. Each bill specifies to some extent a system for gathering and monitoring market value information. Although all bills place the responsibility for this task with a state level agency, the bills differ in the definitions of property, in the organizational location and powers of the state administrative agency, in the use of initial estimates for the first year, and in the year of data to be used.

Definition of Property. House Bill 420 and House Bill 946 define the following as index properties: real property subject to taxation under state law; pipelines, telephone lines, telegraph lines and transmission cables; mobile homes, merchandise held for sale; equipment vehicles, and furniture of commercial and industrial enterprises; and bank capital stock. These two bills also refer to the constitutional provision regarding the valuation of agricultural land. House Bill 1083 specifies the following as index properties: value of real property (as defined in state law); tangible personal property employed in commerce or industry: motor vehicles: and property of financial businesses. Various definitions and qualifications are made including that of valuing agricultural land at its productive value. House Bill 1715 contains the following categorization of index properties: all real property (no reference to present state law); tangible person property employed in industry and

commerce; tangible and intangible property of banks and other financial institutions; mobile homes; motor vehicles; and other classes of personal property designated by the State Tax Board for which values may be uniformly determined by assessors exercising due diligence. House Bill 1126 refers only to the market value of taxable property.

State Responsibility. All of the bills place the responsibility for the determination of property values with a state agency. House Bill 1126 requires that the market values used be those reported or published by an official state agency. House Bill 420 and House Bill 946 require the Comptroller to develop forms for gathering the information, to check annually twenty percent of the districts with approximately twenty percent of the market value, and to revise self reports found to be in error. House Bill 1083 would place similar responsibilities with a State Aid Equalization Commission appointed by the Governor and confirmed by the Senate with up to $5 million appropriated for its operations. House Bill 1715 gives the Comptroller a number of specific powers and duties relating to the maintenance of market value information.

Initial Estimates. House Bill 420 and House Bill 946 refer to the use of initial market value estimates in the specification that the market value of property, rather than the market value of index property, be used for calculating the first year's index. House Bill 1126 enables the Commissioner of Education to calculate an index for the first year. House Bill 1083 and House Bill 1715 do not refer to the use of initial estimates.

Although the source of initial market value estimates is not addressed by any of the legislative proposals, the Texas Education Agency has used the 1974

market value estimates developed by Management Services Associates for the Governor's Office to prepare cost estimates of the five major school finance bills.

Year of Data. All of the bills require that market value for the second prior school year used for the determination of local ability. However, House Bill 1083 specifies that 1974-75 market value would be used for both the 1975-76 and the 1976-77 school years.

II. B. DETERMINATION OF STATE AND LOCAL SHARES

Present System. Under the current system, the Foundation School Program is determined to be approximately 80 percent state and 20 percent local with the assignment to each local district of a local fund assignment based on the relative ability of each school district to raise the local fund assignment. In addition, the state share of the Foundation Program is automatically financed through a combination of funds from the Available School Fund, the Omnibus Tax Clearance Fund, and the General Revenue Fund. School districts are not required to raise their local fund assignment.

Proposals. All of the bills change the method of determining state and local shares. Two of the bills contain a clause which would offset the cost of phasing in local tax increases under the proposed formulas.

Determination of the Local Share. All of the bills set the local fund assignment at a specific tax rate for the determination of the assignment of each district. All bills except House Bill 1715 retain the provision in present law which does not require districts to raise their local fund assignment. House Bill 420 sets this rate at $.35 for 1975-76 and $.40 thereafter. House Bill 1126 and House Bill 946 set it at $.25. House Bill 1715 and House Bill 1083 set it at the average effective maintenance tax rate for 1974-75 ($.60).

Determination of the State Share. The present automatic financing system, whereby the state automatically finances the balance between the total program cost and the local fund assignment, would continue under all five bills.

Tables VIA. and VI. B. on the following page present state and local sharing of the Foundation School Program for 1975-76 and for 1978-79 under each of these bills.

TABLE VI.A.

STATE - LOCAL SHARING OF BASIC
FOUNDATION SCHOOL PROGRAM - 1975-76
(costs in millions)

LEGISLATIVE PROPOSALS	TOTAL PROGRAM COST	STATE * SHARE	PERCENT	LOCAL ** SHARE	PERCENT
Present Law	$1,576	$1,291	81.9	$285	18.1
House Bill 420	2,675	2,159	80.7	516	19.3
House Bill 946	2,401	2,005	83.5	396	16.5
House Bill 1083	2,343	1,550	66.1	793	33.9
House Bill 1126	2,642	2,241	84.8	401	15.2
House Bill 1715	2,927	2,035	69.5	892	30.5

* State share may be less than the net state funds required because of available school payments to budget balance districts.

** Based on 1974 market value of $165 billion.

TABLE VI.B.

STATE - LOCAL SHARING OF BASIC
FOUNDATION SCHOOL PROGRAM - 1978-79
(costs in millions)

LEGISLATIVE PROPOSALS	TOTAL PROGRAM COST	STATE SHARE	PERCENT	LOCAL SHARE	PERCENT
Present Law $	$1,844	$1,310	81.8	$334	18.1
House Bill 420	3,897	3,183	81.7	714	18.3
House Bill 946	3,449	2,994	86.8	455	13.2
House Bill 1083	3,298	2,318	70.3	980	29.7
House Bill 1126	3,426	2,970	86.7	456	13.3
House Bill 1715	3,091	2,078	67.2	1,013	32.8

* State share may be less than the net state funds required because of available school payments to budget balance districts.

** Based on an estimated 1976 market value of $189 billion, inflated by seven percent per year from 1974 market value.

III. A. EXTENT OF LOCAL LEEWAY FUNDS

Present System. The extent of local leeway funds from property tax revenue may be measured in one of two ways. Under the present system, the legal extent of local leeway funds is the difference between the maximum tax rate of $1.50 per $100 of market value and the local fund assignment currently averaging about $.20 per $100 of market value. As a result, the average district has approximately $1.30 per $100 of market value for use in enriching it Foundation School Program. On the other hand, the current (1974-75) average local maintenance tax rate is estimated to be $.60 per $100, meaning that districts are using approximately $.40 of the $1.30 of local leeway available to them. Approximately 38 percent of the districts tax above this level, leaving 62 percent that are using less than this amount.

Proposals. Three of the bills would retain the present maximum tax rate of $1.50 per $100 of market value while the other two bills would lower this maximum tax rate.

The Maximum Tax Rate. House Bill 946 would limit the maximum tax rate to $.75 per $100 of market value. With a $.25 local fund assignment tax rate this would leave $.50 for enrichment. House Bill 1715 would limit it to 25 percent of the district's guaranteed funding level for current operations. However, no district would be required to reduce their total expenditure below their 1974-75 level. The maximum tax rate would vary according to the wealth of the district, and would generally range between $.35 and $.80. Districts would have $1.10 for enrichment under House Bill 420, $1.25 for House Bill 1126, and $.90 under House Bill 1083.

III. B. EQUALIZATION OF LOCAL LEEWAY

Present Program. Under the present financing system there is no equalization of funds raised locally above the Foundation Program level.

Proposals. Four of the bills provide some type of state equalization for local leeway funds. The differences among the plans relate to the qualification levels for additional support, the extent of equalization as measured by the amount per student allowed and the tax rate imposed, and the uses for which equalized funds may be spent.

Extent of Local Leeway Equalization. Under House Bills 420, 946, and 1126, a state-guaranteed leeway program of up to $300 per student is provided if the district chooses to exert a tax effort of $.40 per $100 of property value above its local fund assignment requirement. Under each of these three bills, districts levying taxes above the local fund assignment could receive additional state aid if these tax efforts did not yield the specified amounts of revenue per student.

For the first step ($100 per student, $.10 tax rate), the district would be guaranteed total revenue of $10 per student for each one cent of tax rate on "market" value. The difference, if any, between the $10 per student and the yield from a one cent tax rate would be provided through additional state funds. The second step ($200 per student, $.30 tax rate) would provide funds in a similiar manner with total revenue of $10 per student for each one and a half cents of tax rate. Under the first step, districts with up to $100,000 of market value per student would qualify for additional assistance while under the second step districts with up to $66,667 of market value per student would qualify.

House Bill 1715 would equalize enrichment expenditures up to the full twenty percent allowable level of enrichment. State funds for equalization would be allocated on the basis of the state share of the program allotment for current operations.

Use of Equalized Funds for Local Leeway. House Bills 420, 946, and 1126 specify that equalized local leeway funds be spent for current operating expenditures other than community services, food services, and student body activities. House Bill 1715 specifies that no more than fifty percent of enrichment funds be used to enrich salaries above the minimum levels established by the State Board of Education.

IV. ISSUES RELATING TO THE TOTAL FINANCING OF PUBLIC SCHOOL EDUCATION IN TEXAS

A. TOTAL STATE AND LOCAL REVENUE FOR CURRENT OPERATIONS

Estimates of total current revenues from state and local sources for 1975-76 are presented in Tables VII.A. and VII.B. The basic assumption behind the estimates of local leeway revenue is that districts will maintain current tax rates if they are above the local fund assignment rate and will increase them if they are below that rate. This assumption does not apply to budget balance districts.

A comparative analysis of tax levies from 1974-75 school district budgets and market value estimates prepared by Management Services Associates for the Governor's Office indicates that the average effective tax rate for the current year is $.60. This tax rate was applied to projected statewide market value to obtain total local revenues. Comparison of the tax rates required for participation in leeway equalization with the $.60 average effective rate made it possible to determine how much state leeway aid would be required.

TABLE VII.A.

ESTIMATES OF TOTAL CURRENT STATE AND LOCAL REVENUES - 1975-76
(in millions)

SOURCE OF REVENUE	PRESENT LAW	HOUSE BILL 420	HOUSE BILL 946	HOUSE BILL 1083	HOUSE BILL 1126	HOUSE BILL 1715 *
FOUNDATION SCHOOL PROGRAM**						
State	$1,294	$2,167	$2,012	$1,552	$2,247	$1,907
Local	285	516	396	793	401	892
TOTAL	$1,579	$2,683	$2,408	$2,345	$2,648	$2,799
LOCAL LEEWAY						
State	--	$ 55	--	--	--	$ 184
Local	$ 776	545	$ 665	$ 268	$ 660	189
TOTAL	$ 776	$ 600	$ 665	$ 268	$ 660	$ 373
TOTAL REVENUE						
State	$1,294	$2,222	$2,012	$1,552	$2,247	$2,091
Local	1,061	1,061	1,061	1,061	1,061	1,081
TOTAL REVENUE FOR CURRENT OPERATIONS	$2,355	$3,283	$3,073	$2,613	$3,308	$3,172

* The Foundation School Program allowance for capital expenditures has been taken out of the cost of House Bill 1715 for purposes of this analysis.

** Total for Foundation School Program will not necessarily agree with earlier tables since the above estimate shows the total demand on state funds.

TABLE VII.B.

ESTIMATES OF TOTAL CURRENT STATE AND LOCAL REVENUE - 1978-79
(in millions)

SOURCE OF REVENUE	PRESENT LAW	HOUSE BILL 420	HOUSE BILL 946	HOUSE BILL 1083	HOUSE BILL 1126	HOUSE BILL 1715
FOUNDATION SCHOOL PROGRAM **						
State	$1,513	$3,189	$2,997	$2,964	$2,974	$1,950
Local	334	714	455	980	456	1,013
TOTAL	$1,847	$3,903	$3,452	$3,944	$3,430	$2,963
LOCAL LEEWAY						
State	--	$ 152	$ 181	--	$ 181	$ 180
Local	$ 881	501	760	$ 235	759	225
TOTAL	$ 881	$ 653	$ 941	$ 235	$ 940	$ 405
TOTAL REVENUE						
State	$1,513	$3,341	$3,178	$2,964	$3,155	$2,130
Local	1,215	1,215	1,215	1,215	1,215	1,238
TOTAL REVENUE FOR CURRENT OPERATIONS	$2,728	$4,556	$4,393	$4,179	$4,370	$3,368

57

* The Foundation Program allowance for Capital Expenditure has been taken out of the cost of House Bill 1715 for purposes of this analysis. See Section IV.B. below.

58

** Total of Foundation School Program will not necessarily agree with earlier tables since the above estimate shows the total demand on state funds.

IV. B. FUNDING OF CAPITAL EXPENDITURES

Present Program. With the exception of minor amounts of state and federal funds, current capital expenditure programs are funded from local funds and general obligation bonds. These bonds are retired through the use of ad valorem tax revenues levied specifically for this purpose.

Proposals. Neither House Bill 1083, House Bill 1126, House Bill 946 nor House Bill 420 provides for state funding for capital expenditures in local school districts. House Bill 1715 provides for guaranteed funding for capital outlay. A district's entitlement for capital outlay would be the sum of (1) prior-year expenses for principal and interest payments on bonded indebtedness (not to exceed $50 per student in average daily membership); (2) $50 per ADM of the difference in prior-year and present-year ADM; (3) $50 per ADM of students who attend school in facilities that are more than 40 years old (with funding limited to not more than students counted for three successive years). Capital outlay entitlements could be used for debt service, site acquisition, construction, remodeling, or repair of facilities, purchase of capital equipment, or any other purpose approved by the State Board of Education except current operating and transportation expenses. Estimated cost for guaranteed funding for capital outlay would be approximately $128 million in 1975-76. House Bill 1715 would also provide funding for start-up costs for vocational classrooms, not to exceed $1,500 for each classroom, at an estimated cost of $1.5 million for 1975-76.

IV. C. IMPLEMENTATION SCHEDULE

Present Law. Under the present law, adjustments in the Foundation School Program and in other funds which impact the Foundation School Program may be made through a series of automatic financing procedures which allow incorporation of future improvements in the financing pattern over a series of years.

Proposed Legislation. All five of the school finance bills discussed in the preceeding report provides for the implementation of a new foundation school program over at least a period of three years. House Bill 420 and House Bill 1126 would be implemented over a four year period. House Bill 1715 would be implemented in 1975-76 except for renewal. The majority of recommendations of House Bill 946 are implemented during the first year of the next biennium. Although most of House Bill 1083 would be implemented during the next biennium, several recommendations are not fully implemented until the next biennium. If one considers the cost of living provisions in House Bill 420, House Bills 946, and House Bill 1083, it is impossible to specify when these bills would be "fully implemented" since cost of living adjustments would be continuing features of the program. Under House Bills 420 and 946, the level of salaries would be based on the Consumer Price Index while under House Bill 1083 the base student cost of 1.00 would be adjusted according to changes in the Consumer Price Index. In the preceeding report the years 1975-76 and 1978-79 have been used as the years of initial implementation and full implementation respectively.